

# Arbitrage Event-Driven Fund

Q4 2018 Fact Sheet as of December 31, 2018



The Arbitrage Funds

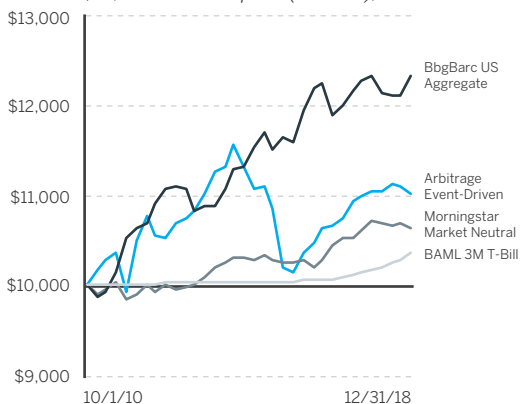
ADVISED BY WATER ISLAND CAPITAL

## Fund Objective

The fund seeks to provide capital growth and absolute returns by investing in credit and equity securities involved in specific corporate events, with a focus on low volatility and low correlation relative to the broader capital markets.

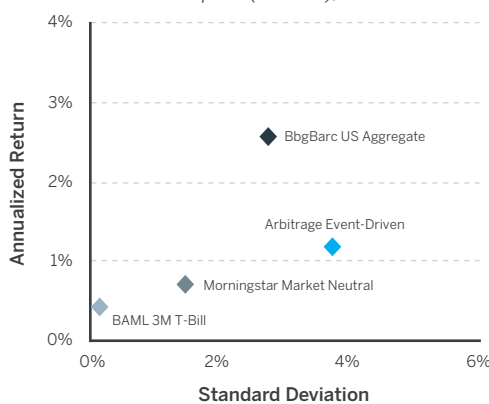
## Performance Comparison (AEDFX)

Growth of \$10,000 since inception (10/1/10), as of 12/31/18.



## Risk-Return Comparison (AEDFX)

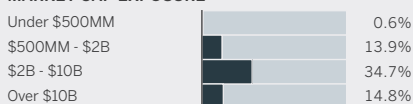
Risk vs. return since inception (10/1/10), as of 12/31/18.



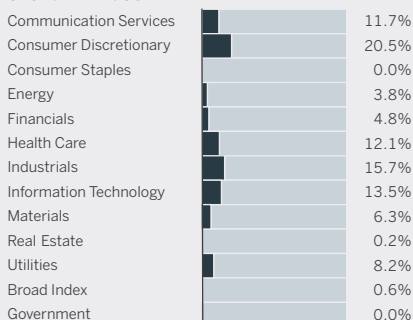
| Total returns as of 12/31/18                 | 3-Month | YTD    | 12-Month | 3-Year | 5-Year | Since Inception |
|--|---------|--------|----------|--------|--------|-----------------|
| Arbitrage Event-Driven R (AEDFX)             | -0.76%  | -0.34% | -0.34%   | 2.77%  | -0.43% | 1.18%           |
| Arbitrage Event-Driven I (AEDNX)             | -0.67%  | -0.15% | -0.15%   | 3.01%  | -0.20% | 1.42%           |
| Arbitrage Event-Driven C (AEFCX)             | -0.93%  | -1.04% | -1.04%   | 2.01%  | -1.18% | -0.02%          |
| Arbitrage Event-Driven C (AEFCX) - Load Adj. | -1.92%  | -2.02% | -2.02%   | 2.01%  | -1.18% | -0.02%          |
| Arbitrage Event-Driven A (AGEAX)             | -0.69%  | -0.27% | -0.27%   | 2.81%  | -0.43% | 0.33%           |
| Arbitrage Event-Driven A (AGEAX) - Load Adj. | -3.92%  | -3.51% | -3.51%   | 1.68%  | -1.09% | -0.26%          |

Inception: AEDFX, 10/1/10; AEDNX, 10/1/10; AEFCX, 6/1/12; AGEAX, 6/1/13. Returns greater than one year are annualized. **The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling (800) 295-4485.** Returns shown above include the reinvestment of all dividends and capital gains. The Fund has entered into an Expense Waiver and Reimbursement Agreement with the Fund's investment adviser pursuant to which the adviser has contractually agreed to limit the total annual operating expenses of the Fund, not including taxes, interest, dividends on short positions, brokerage commissions, acquired fund fees and expenses and other costs incurred in connection with the purchase or sale of portfolio securities, so that they do not exceed 1.69% of the Fund's average daily net assets allocable to the Class R shares, 1.44% of the Fund's average daily net assets allocable to the Class I shares, 2.44% of the Fund's average daily net assets allocable to the Class C shares, and 1.69% of the Fund's average daily net assets allocable to the Class A shares. The agreement remains in effect until September 30, 2019, unless terminated by the Board of Trustees. Class A shares have maximum front-end sales charges of 3.25%. A deferred sales charge of up to 1.00% may be imposed on purchases of \$250,000 or more of Class A shares purchased without a front-end sales charge that are redeemed within 18 months of purchase.

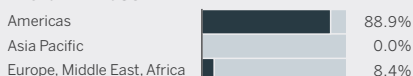
### MARKET CAP EXPOSURE



### SECTOR EXPOSURE



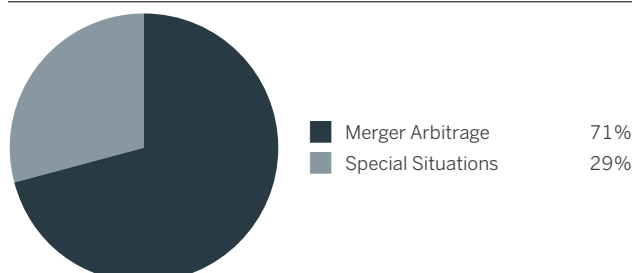
### REGION EXPOSURE



## Portfolio Characteristics & Risk Metrics<sup>1</sup>

|                      |         |                              |          |
|----------------------|---------|------------------------------|----------|
| Long Exposure        | 97.4%   | Weighted Average Market Cap  | \$12.3 B |
| Short Exposure       | -16.0%  | Median Market Cap            | \$4.0 B  |
| Gross Exposure       | 113.4%  | Maximum Market Cap           | \$89.0 B |
| Net Exposure         | 81.3%   | Minimum Market Cap           | \$114 MM |
| Standard Deviation   | 2.51%   | Correlation (vs S&P 500)     | 0.47     |
| Sharpe Ratio         | 0.65    | Correlation (vs BbgBarc Agg) | 0.08     |
| Sortino Ratio        | 0.90    | Beta (vs S&P 500)            | 0.11     |
| Effective Duration   | 1.9 Yrs | Beta (vs BbgBarc Agg)        | 0.07     |
| Duration to Maturity | 2.8 Yrs |                              |          |

## Strategy Allocation



## OVERALL MORNINGSTAR RATING™



Morningstar® rated AEDNX 3 Stars Overall as of 12/31/18 out of 122 Market Neutral funds based on risk-adjusted returns.

### FUND FACTS

|                     |              |
|---------------------|--------------|
| Investment Strategy | Event-Driven |
| Fund AUM            | \$136 MM     |

### RETAIL SHARES

|                     |           |
|---------------------|-----------|
| Ticker              | AEDFX     |
| CUSIP               | 03875R304 |
| Gross Expense Ratio | 2.63%     |
| Net Expense Ratio   | 2.20%     |
| Sales Charge        | No Load   |
| Inception Date      | 10/1/10   |

### INSTITUTIONAL SHARES

|                     |           |
|---------------------|-----------|
| Ticker              | AEDNX     |
| CUSIP               | 03875R403 |
| Gross Expense Ratio | 2.38%     |
| Net Expense Ratio   | 1.95%     |
| Sales Charge        | No Load   |
| Inception Date      | 10/1/10   |

### C SHARES

|                     |           |
|---------------------|-----------|
| Ticker              | AEFCX     |
| CUSIP               | 03875R601 |
| Gross Expense Ratio | 3.38%     |
| Net Expense Ratio   | 2.95%     |
| Sales Charge (CDSC) | 1.00%     |
| Inception Date      | 6/1/12    |

### A SHARES

|                     |           |
|---------------------|-----------|
| Ticker              | AGEAX     |
| CUSIP               | 03875R858 |
| Gross Expense Ratio | 2.63%     |
| Net Expense Ratio   | 2.20%     |
| Sales Charge        | 3.25%     |
| Inception Date      | 6/1/13    |

### EXPENSE EX DIVIDENDS & INTEREST ON SHORT POSITIONS & ACQUIRED FUND FEES

|       |       |       |       |
|-------|-------|-------|-------|
| AEDFX | 1.69% | AEFCX | 2.44% |
| AEDNX | 1.44% | AGEAX | 1.69% |

### PORTFOLIO MANAGERS

|                        |                   |
|------------------------|-------------------|
| Edward Chen            | 13 Yrs Experience |
| Roger Foltynowicz, CFA | 16 Yrs Experience |
| Gregg Loprete          | 28 Yrs Experience |
| Todd Munn              | 25 Yrs Experience |
| John Orrico, CFA       | 37 Yrs Experience |

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RETAIL: (800) 295-4485

INSTITUTIONAL: (800) 560-8210

# Arbitrage Event-Driven Fund

Q4 2018 Fact Sheet as of December 31, 2018



The Arbitrage Funds

ADVISED BY WATER ISLAND CAPITAL

## Historical Monthly Returns (AEDFX)

|             | January | February | March  | April  | May    | June   | July   | August | September | October | November | December | YTD           |
|-------------|---------|----------|--------|--------|--------|--------|--------|--------|-----------|---------|----------|----------|---------------|
| <b>2010</b> |         |          |        |        |        |        |        |        |           | 0.30%   | 1.20%    | 0.11%    | <b>1.61%</b>  |
| <b>2011</b> | 1.09%   | 0.30%    | -0.29% | 0.79%  | -0.10% | 0.19%  | -0.59% | -0.79% | -2.97%    | 5.50%   | 0.19%    | 0.11%    | <b>3.29%</b>  |
| <b>2012</b> | 1.23%   | 1.52%    | -0.20% | 0.00%  | -2.10% | 0.20%  | -1.02% | 0.21%  | 0.41%     | -1.02%  | 0.62%    | 1.98%    | <b>1.77%</b>  |
| <b>2013</b> | 0.31%   | 0.21%    | 0.00%  | 0.21%  | 0.62%  | 0.00%  | 1.12%  | 0.10%  | 0.60%     | 1.00%   | 0.79%    | 0.32%    | <b>5.40%</b>  |
| <b>2014</b> | 0.00%   | 0.79%    | -0.29% | 0.49%  | 0.68%  | 1.07%  | -1.06% | 0.29%  | -1.45%    | -1.28%  | -0.20%   | -0.71%   | <b>-1.69%</b> |
| <b>2015</b> | 0.10%   | 0.72%    | -0.61% | 0.62%  | -0.61% | -2.26% | -1.16% | -1.17% | -3.66%    | 0.56%   | -1.00%   | -0.07%   | <b>-8.31%</b> |
| <b>2016</b> | 0.11%   | 1.03%    | 1.02%  | 0.22%  | 0.79%  | -0.11% | 0.67%  | 0.44%  | 0.55%     | -1.32%  | 1.00%    | 0.55%    | <b>5.06%</b>  |
| <b>2017</b> | 0.11%   | 0.44%    | 0.33%  | 0.54%  | 0.76%  | 0.32%  | -0.21% | 0.53%  | 0.21%     | 0.53%   | -1.27%   | 1.35%    | <b>3.68%</b>  |
| <b>2018</b> | 0.85%   | 0.52%    | -1.36% | -0.74% | 0.85%  | 0.53%  | -0.74% | 0.32%  | 0.21%     | -1.26%  | 1.07%    | -0.55%   | <b>-0.34%</b> |

2010 YTD returns 10/1/10-12/31/10. Performance quoted represents past performance and does not guarantee future results.

## Top Five Holdings by Strategy

### MERGER ARBITRAGE

|                              |      |
|------------------------------|------|
| SodaStream International Ltd | 5.5% |
| Tribune Media Co             | 5.4% |
| Vectren Corp                 | 5.4% |
| Twenty-First Century Fox Inc | 5.1% |
| Dun & Bradstreet Corp/The    | 4.4% |

### SPECIAL SITUATIONS

|  |      |
|--|------|
| GameStop Corp 6.75% 3/15/21                  | 2.9% |
| Arconic Inc 1.625% 10/15/19                  | 2.0% |
| NETGEAR Inc                                  | 2.0% |
| Platform Specialty Products Corp 6.5% 2/1/22 | 1.8% |
| Nielsen Holdings PLC 5.5% 10/1/21            | 1.7% |

## Top Ten Holdings

|                                      |      |
|--------------------------------------|------|
| SodaStream International Ltd         | 5.5% |
| Tribune Media Co                     | 5.4% |
| Vectren Corp                         | 5.4% |
| Twenty-First Century Fox Inc         | 5.1% |
| Dun & Bradstreet Corp/The            | 4.4% |
| Imperva Inc                          | 3.5% |
| DJO Finance LLC 8.125% 6/15/21       | 3.1% |
| GameStop Corp 6.75% 3/15/21          | 2.9% |
| Trinidad Drilling Ltd 6.625% 2/15/25 | 2.5% |
| Engility Corp 8.875% 9/1/24          | 2.5% |

Holdings are subject to change.

## Credit Quality<sup>2</sup>

|           |       |
|-----------|-------|
| AAA       | 0.0%  |
| AA        | 0.0%  |
| A         | 0.0%  |
| BBB       | 0.0%  |
| BB        | 5.4%  |
| B         | 10.6% |
| Below B   | 15.1% |
| Not Rated | 2.0%  |

<sup>1</sup> Risk measurements are trailing three-year through quarter-end. Figures reflect AEDFX (R Class). Calculations use the three-month T-Bill rate, as measured by the Bank of America Merrill Lynch U.S. 3-Month Treasury Bill Index, for risk-free rate and minimum acceptable return. Standard Deviation measures the degree of variation of returns around the average return. Sharpe ratio is a measure of risk-adjusted performance, calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. Sortino ratio is a similar measure of risk-adjusted returns, although it uses downside deviation rather than standard deviation as the denominator, and therefore does not penalize volatility from positive performance. Beta, a measure of the volatility of a portfolio in relation to the market as a whole, indicates the tendency of a portfolio to respond to swings in the market. Correlation is a measure of how two securities move in relation to each other, ranging from -1 to +1. A correlation of 0 means the relationship between the two securities is completely random, while +1 indicates a perfect positive relationship and -1 a perfect negative relationship. Gross exposure equals long exposure plus the absolute value of short exposure. Duration is the approximate percentage change in a bond's price that will result from a 1% change in its yield. Duration to maturity assumes a bond's expected cash flow does not change when its yield changes. Effective duration takes into account the way in which changes in yield will affect expected cash flows, which is a more appropriate measure for a bond with an option embedded. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration figures are weighted averages based on percent exposure to credit holdings. Market cap figures reflect alpha securities.

<sup>2</sup> Credit quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). NR (Not Rated) is used to classify securities for which a rating is not available. The Advisor receives credit quality ratings on portfolio holdings from the three major ratings agencies: Moody's, S&P, and Fitch. When calculating the credit quality breakdown, the Advisor utilizes the lower of Moody's and S&P ratings, and if neither Moody's nor S&P are available, the Fitch rating.

**An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing. The Fund's prospectus contains this and other important information. You may obtain a copy of the Fund's prospectus at <http://arbitragefunds.com> or by calling (800) 295-4485. Please read the prospectus carefully before you invest.**

**RISKS:** The Fund uses investment techniques with risks that are different from the risks ordinarily associated with equity investments. Such techniques and strategies include merger arbitrage risks (in that that the proposed reorganizations in which the Fund invests may be renegotiated or terminated, in which case the Fund may realize losses), high portfolio turnover risks (which may increase the Fund's brokerage costs, which would reduce performance), options risks, borrowing risks, short sale risks (the Fund will suffer a loss if it sells a security short and the value of the security rises rather than falls), foreign investment risks (the securities of foreign issuers may be less liquid and more volatile than securities of comparable U.S. issuers), credit risks, interest rate risks, interest rate swap risks, credit default swap risks, and convertible security risks, which may increase volatility and may increase costs and lower performance. Bonds and bond funds will decrease in value as interest rates increase.

The Morningstar Market Neutral Category encompasses funds that attempt to reduce systematic risk created by factors such as exposures to sectors, market-cap ranges, investment styles, currencies, and/or countries by matching long positions within each area against corresponding short positions. The Barclays U.S. Aggregate Bond Index covers the U.S. investment grade fixed rate bond market. The S&P 500 Index is an index of U.S. equities meant to reflect the risk/return characteristics of the large cap universe, and is one of the most commonly used benchmarks for the overall U.S. stock market. The Bank of America Merrill Lynch U.S. 3-Month Treasury Bill Index is commonly used as a proxy for short-term interest rates. Indexes are unmanaged and one cannot invest directly in an index.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed end funds, and separate accounts) with at least a 3-year history. Exchange-traded funds and open ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The weights are 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. Arbitrage Event-Driven was rated against the following numbers of US-domiciled Market Neutral funds over the following time periods as of 12/31/18: 122 funds in the last three years and for the Overall rating, and 98 funds in the last five years. With respect to these Market Neutral funds, Arbitrage Event-Driven received Morningstar Ratings of 4 stars for the 3-year period and 2 stars for the 5-year period. Morningstar Rating is for the Institutional class only; other classes may have different performance characteristics. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. ©2019 Morningstar, Inc. All rights reserved.

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